

24 SEP 1982

MEMORANDUM FOR THE RECORD

SUBJECT: SH&G Contract Negotiation

1. In response to the Contracting Officer's letter requesting a review of the initial fee proposal for errors, Smith, Hinchman & Grylls (SH&G) submitted a corrected proposal dated 9 September 1982. The proposal was received by the Director of Central Intelligence (DCI) Registry on 10 September, and by the Building Planning Staff, Office of Logistics (BPS/OL) on 14 September 1982.

2. Although the corrected proposal contained some significant corrections, the overall net reduction was only \$174,839. The proposed fee is now \$16,982,043 for the Design Phase and \$6,370,803 for the Construction Phase.

3. Since SH&G's proposal still grossly exceeds the Government estimate, BPS/OL met with [] Contracting Officer; and [] Logistics & Procurement Law Division, Office of General Counsel; on 15 September to determine the Agency's next action. The Contracting Officer advised that the SH&G proposal was too high to be the basis for meaningful negotiations and recommended that SH&G be requested to submit a best and final offer. C/BPS/OL recommended that at least one meeting be held with SH&G before a best and final offer is requested. [] BPS/OL, advised that several outside sources had been contacted with respect to architectural and engineering (A-E) fees. Mr. Art Carlucci, General Services Administration, estimated the Design Phase of the fee to be between \$5.4 million and \$7.7 million. Mr. Frank Caldwell, Director of Design, Naval Facilities Engineering Command, advised that the A-E fee for design of the new Defense Intelligence Agency facility was \$4.5 million and that this included special solar energy studies and major revisions for the Fine Arts Commission. Mr. Earl Kramer advised that Corps of Engineers design contracts are normally 2 to 3 1/2 percent of construction for this size project.

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4. Following lengthy discussion, it was agreed that the Contracting Officer would contact a source within the Corps of Engineers for one more opinion on A-E fee before proceeding further with SH&G.

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5. [] advised that should negotiations with SH&G fail, the second ranked firm would be asked to respond to the RFP. However, there presently is not a clean determination whether CRS/Sirrline or VVKR/Dewberry & Davis/E. I. Brown is the second ranked firm. The DCI denial of waiver for foreign ownership in CRS did not stipulate whether their number 1 ranking was reduced to number 2, or 3, or whether the firm was to be considered disqualified.

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Building Planning Staff, OL

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(24 Sep 82)

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